R5650-2A

JAPAN · ECONOMIC · INSTITUTE

JEI REPORT

NO. 41B
October 26, 1984

IN THIS ISSUE:

Finance Ministry Studies Reform of Tax-Free Savings System 1

Foreign Ministry Releases FY 1983 Blue Book 3

JDA Issues Defense Plan Progress Report 4

Japan-EC Economic Ties on the Increase 5

Japan's U.S. Fishing Quota Cut Again 7

U.S. Joint R&D Programs Off to Slow Start 8

Notes 9

Statistical Supplement 11

Finance Ministry Studies Reform of Tax-Free Savings System

An issue with major implications for Japan's thrift-minded populace has re-entered the political spotlight: reforming the tax-free savings system for individuals, or "maruyu" savings as it is commonly called. In its quest for a balanced budget, the Ministry of Finance (MOF) has proposed several possible reforms to control abuses of these savings accounts and increase revenues by cracking down on non-reporting of interest income. The Ministry of Posts and Telecommunications (MPT), which administers the postal savings system -- a major beneficiary of maruyu savings -- has made it clear that it opposes the MOF reforms. The debate could take on important political connotations as Prime Minister Yasuhiro Nakasone comes up for re-election.

Trade and Payments Data
(in millions of dollars unless otherwise indicated)

	1982	1983	January-August 1983	January-August 1984	June 1984	July 1984	August 1984
Japan's Balance of Payments							
Trade Balance	$ 18,079	$ 31,454	$19,192	$25,629*	$ 4,845*	$ 4,124*	$ 2,221*
Exports (f.o.b.)	137,663	145,468	92,993	109,631*	14,649*	14,837*	13,178*
Imports (f.o.b.)	119,584	114,014	73,801	84,002*	9,804*	10,713*	10,957*
Current Account Balance	6,850	20,799	11,899	19,016*	4,384*	3,210*	1,231*
Long-Term Capital (net)	-14,969	-17,700	-9,793	-30,514*	-6,229*	-7,146*	-3,183*
Overall Balance	-4,971	5,177	2,916	-14,432	-2,254	-2,665	-3,435
International Reserves (end of period)	23,262	24,496	24,398	25,428	25,208	25,123	25,428
Japan's Customs Clearance Trade							
Trade Balance	6,900	20,534	11,979	17,840*	4,016	3,199	1,117*
Exports (f.o.b.)	138,831	146,928	93,670	110,620*	14,760	14,807	13,293*
Cars	18,015	19,535	12,731	14,577*	1,817	2,080	1,564*
Steel	15,645	12,843	8,172	8,877*	1,146	1,262	1,119*
Imports (c.i.f.)	131,931	126,393	81,691	92,781*	10,744	11,608	12,176*
Crude Oil	46,274	40,063	25,981	27,253*	2,751	3,202	3,701*
Japan-U.S. Trade							
Trade Balance	12,151	18,181	9,939	20,218*	3,031	3,253	2,441*
Exports (f.o.b.)	36,330	42,829	26,017	38,363*	5,228	5,566	4,842*
Imports (c.i.f.)	24,179	24,648	16,078	18,145*	2,197	2,313	2,400*
Yen-Dollar Exchange Rate							
Tokyo Spot Market (end of period)	Y235.00	Y232.20	---	---	Y237.50	Y245.50	Y241.30
U.S.-Japan Trade							
Trade Balance	-16,778	-19,289	-12,543	-22,733	-2,473	-4,101	-3,179
Exports (f.a.s.)	20,966	21,894	13,761	15,649	2,031	2,158	1,906
Industrial Supplies	9,173	8,734	5,590	6,030	836	821	731
Food and Feed	4,971	5,555	3,504	4,110	469	594	534
Capital Goods	4,434	5,116	3,116	3,679	450	487	418
Consumer Goods	1,356	1,394	920	985	141	135	129
Imports (Customs)	37,744	41,183	26,304	38,382	4,505	6,259	5,085
Automotive Products	12,890	14,919	9,748	12,644	1,533	2,021	1,604
Industrial Supplies	6,795	5,391	3,444	4,919	543	762	625
Consumer Goods	7,842	8,296	5,171	7,460	863	1,220	1,055
Capital Goods	9,530	11,896	7,500	12,804	1,500	2,170	1,734

*Preliminary

Japanese Economic Indicators

(percentage change from year-earlier period unless otherwise indicated)

	1982	1983	January-July 1983	January-July 1984	May 1984	June 1984	July 1984
Discount Rate (end of period)	5.5%	5.0%	5.5%	5.0%	5.0%	5.0%	5.0%
Outstanding Money Supply	9.2%	7.4%	7.5%	7.8%	7.6%	7.5%	7.7%
Industrial Production	0.3%	3.6%	0.6%	11.7%	12.5%	12.6%	12.8%
Manufacturing Operating Rate	-2.9%	1.6%	-1.2%	9.7%	11.3%	10.1%	9.6%
Number of Bankruptcies	-2.8%	11.9%	6.9%	15.8%	24.5%	-0.9%	14.3%
Residential Construction Starts	-0.5%	-0.8%	-1.1%	4.4%	16.8%	-0.7%	6.3%
Job Openings to Applications (ratio)	0.61	0.60	0.59	0.64	0.64	0.64	0.64
Nominal Wages	4.5%	3.5%	4.6%	4.5%	4.2%	5.5%	4.1%
Labor Productivity	1.0%	4.6%	1.0%**	10.4%**	11.3%	n.a.	n.a.
Wholesale Prices	1.8%	-2.2%	-1.5%	-0.7%	-0.1%	-0.4%	0.0%
Consumer Prices	2.7%	1.9%	2.2%	2.3%	2.0%	1.9%	2.6%
Yen-Based Export Prices	3.9%	-6.0%	-5.8%	-0.5%	-0.1%	-0.2%	1.7%
Yen-Based Import Prices	7.9%	-7.8%	-4.8%	-4.7%	-2.0%	-3.0%	-2.1%

**Through May of each year only.

For Japan's most recent GNP figures, see JEI Report No. 38B, October 5, 1984.